

VZCZCXRO4042  
RR RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHHI #2045/01 3391055  
ZNR UUUUU ZZH  
R 051055Z DEC 07  
FM AMEMBASSY HANOI  
TO RUEHC/SECSTATE WASHDC 6835  
INFO RUEHHM/AMCONSUL HO CHI MINH 4024  
RUCNASE/ASEAN MEMBER COLLECTIVE  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 03 HANOI 002045

SIPDIS

STATE PASS USTR FOR DBISBEE

SIPDIS

TAGS: [ETRD](#) [ECON](#) [EINV](#) [PGOV](#) [KTEX](#) [PHUM](#) [VM](#)  
SUBJECT: OOG'S CHAIRMAN LAYS OUT HIS AGENDA IN THE U.S. IN MEETING  
WITH THE AMBASSADOR

REF: A) Hanoi 1950;

B) Hanoi 1994;  
C) Hanoi 1616;  
D) Hanoi 1212

HANOI 00002045 001.2 OF 003

11. (SBU) Summary: In a December 5 meeting with the Ambassador, the head of the Vietnamese delegation to the TIFA talks in Washington, Office of the Government Chairman Nguyen Xuan Phuc, said that the GVN's top priority would be to overturn the apparel exports monitoring mechanism run by the Commerce Department. Chairman Phuc, who will also lead a separate but concurrent mission to Washington on administrative reform, added that also high on his list would be to draw guidance from the United States on how to reform Vietnam's administrative regime to minimize red tape and improve the business climate. Discussions on distribution and trading rights, the Generalized System of Preferences, designating Vietnam as a Market Economy, food safety and anti-money laundering topped off the list of the GVN's priorities. The Ambassador and Chairman Phuc also discussed other issues likely to come up during the visit, including human rights, in particular the November arrests of two Amcits, the dispute with China in the South China Sea, Vietnam's record on IPR, the effectiveness of the U.S. programs to promote economic reform (STAR) and national competitiveness (VNCI), and fears that the GVN may back out of a deal to allow U.S. oil company Chevron to export gas. End Summary.

THREE DELEGATIONS TAKE PART IN US-VIETNAM CONSULTATIONS

12. (U) In a meeting that extended well over its scheduled one hour, the Ambassador and Office of the Government (OOG) Chairman Nguyen Xuan Phuc discussed Vietnam's agenda during U.S. - Vietnam consultations in Washington, DC from December 10 - 18, under the Trade and Investment Framework Agreement (TIFA) and the USAID-sponsored Administrative Reform and Trading and Distribution Rights study missions. Chairman Phuc is the head of Vietnam's TIFA and Administrative Reform delegations, while the Ministry of Industry and Trade (MOIT) leads the one on Trade and Distribution rights (which includes a December 5 - 7 leg in Los Angeles). USTR is coordinating all the meetings in Washington, with interagency and Mission Vietnam support. (Note: Phuc is the right-hand man of Prime Minister Nguyen Tan Dung, serving in a role that could be compared to chief of staff. The fact that he is devoting the time and energy required to make this trip reflects both the importance of U.S.-Vietnam relations and Phuc's own commitment to broad-based reform fueled by USAID's Support for Trade Acceleration - STAR -- program. End Note.)

VIETNAM'S AGENDA STARTS WITH APPARELS

13. (SBU) Chairman Phuc told the Ambassador that seeking a repeal of the Import Monitoring Program (IMP) mechanism to monitor Vietnamese textile and apparel exports to the U.S. would be at the top of his agenda. Vietnamese exporters have fought a well-publicized campaign against the IMP run by Commerce and, in meetings with the MOIT in the last week of November, demanded action from the GVN. "We are facing a lot of pressure from the private sector," Phuc admitted.

14. (SBU) The Ambassador replied that Phuc was likely to receive the same response that he got from Commerce Secretary Gutierrez during the latter's visit to Vietnam last November (Ref A), that is, that the IMP is here to stay until the end of the Administration.

15. (SBU) Separately, a top MOIT official told Econoff that, failing abolishment of the IMP, the GVN would demand that a number of monitored items be removed. He added that Vietnam fears that that second half of the year apparel orders, which tend to be higher, and the positive outcome of the first IMP report, which may have led manufacturers to throw caution to the wind, may result in a significant spike in orders, which would draw more attention. AmCham reports that the Vietnamese textile manufacturers association, VITAS, retained lobbyists in Washington last November to press their case.

#### SECOND PRIORITY IS ADMINISTRATIVE REFORM

-----

16. (SBU) Chairman Phuc told the Ambassador that he had high hopes for the Administrative Reform tour, mentioning in particular the aim of streamlining regulations and easing registration procedures. "I'm very interested to see how the (Office of Management and Budget) operates," he said. "We want to draw from your experience to help us create a good business climate." Phuc and the other eight members of the study group plan to have similar meetings in South Korea, on the way to the United States.

#### REQUEST FOR EXPANDED COMPETITIVENESS AND TRADE ASSISTANCE

-----

HANOI 00002045 002.2 OF 003

17. (SBU) Chairman Phuc also mentioned that he would make the case for increased levels of assistance, particularly for the USAID-funded Support for Trade Acceleration (STAR) and Vietnam National Competitiveness Initiative (VNCI) programs. "We are enthusiastic about STAR and VNCI, these two projects have been very efficient, especially in helping us develop our laws," he commented.

#### TRADING AND DISTRIBUTION RIGHTS

-----

18. (SBU) The Chairman hopes that the Study Tour on Trading and Distribution Rights will also be helpful for both sides. The issue has generated much debate in Vietnam, in particular since the July 2007 issuance of Circular 9, which intended to provide guidance on existing laws but has instead muddled the waters on what foreign importers are allowed and not allowed to do until the distribution and retail sectors open up to foreign businesses in January 2009. The ten members of this Study Group are planning to meet with a USG interagency delegation and with private sector representatives during their time in Washington.

#### VIETNAM INTENDS TO ASK FOR GSP

-----

19. (SBU) Chairman Phuc confirmed to Ambassador Michalak that Vietnam would ask to be included in the Generalized System of Preferences (GSP), which other GVN officials assured us would be done before 2008. The Ambassador urged Vietnam to consider carefully the qualifications required for participation in the program, in particular in the complex areas of labor and intellectual property rights (IPR).

110. (SBU) The direct GSP benefits to Vietnam are not entirely clear (estimates run from as little as \$10 million to as much as \$400

million, which would make Vietnam one of the top six beneficiaries).

Three high level GVN officials told us, however, that the main reason to apply is "symbolic," although they denied speculation that they sought it as a deliverable for a possible Prime Ministerial visit to the United States in early 2008. MOIT officials also told us that they had hired professional assistance in Washington to help them make the case for GSP.

#### MARKET ECONOMY DESIGNATION AND OTHER AGENDA ITEMS

-----

¶11. (SBU) Chairman Phuc told the Ambassador that Vietnam would also ask for market economy designation during the TIFA talks. The United States committed during WTO accession talks to review the issue in 12 years, but several GVN officials told us that they are under the impression that we welcome moving this date forward. Phuc added that at TIFA, Vietnam planned to discuss food safety import regulations and anti-money laundering cooperation. Separately, MOIT, OOG and Ministry of Foreign Affairs (MOFA) officials, mentioned that they would also raise the issue of bonds on Vietnamese shQp exporters to the United States and opening Vietnamese bank branches in the United States.

#### AMBASSADOR REMINDS PHUC OF THE HUMAN RIGHTS AGENDA

-----

¶12. (SBU) The Ambassador advised Chairman Phuc that he would face tough questions on human rights, particularly in light of the arrest of two Amcits and others in late November, whom the GVN accused of being part of a larger proscribed pro-democracy movement (REF B). Chairman Phuc agreed with the Ambassador that the GVN had to allow full consular access to the detained Amcits. "That is your right and you are right to demand it," he said. After briefly describing the problems we encountered in our visit with one of the amcits Phuc told his staff to "make sure the Embassy can do its consular duties."

¶13. (SBU) Phuc added that, although this was a "business trip" for him, he understood the high interest in Vietnam's human rights and religious rights situation, and promised to address them with his interlocutors. "We should develop a roadmap to deal with these issues," he suggested. Both as part of his Administrative Reform delegation, and individually as a GVN principal (the OOG Chairman is a ministerial position akin to the Prime Minister's Chief of Staff), Chairman Phuc plans to meet with congressional leaders and high-level officials at State.

#### SOUTH CHINA SEA DISPUTE

-----

¶14. (SBU) Ambassador Michalak also anticipated Washington interest in how Vietnam intends to address its dispute with China over waters

HANOI 00002045 003.2 OF 003

in the South China Sea. Phuc said that bilateral discussions would continue "as good neighbors." Separately, however, MFA officials told Econoff and visiting Deskoff that negotiations are not going well and that, while in Washington, Vietnam would ask the United States for assistance in preventing China from scaring off potential investors in the hydrocarbons-rich disputed waters.

#### NEW EMBASSY COMPOUND

-----

¶15. (SBU) The Ambassador also raised the protracted negotiations for a new embassy compound (NEC). Phuc promised that, "by the end of the week," the Ambassador would have a counteroffer from the GVN. The Chairman, however, said he thought that the GVN would be unable to offer anything more than a 99-year lease on the NEC. "A 198-year lease (as the United States has asked) will have no legal validity in Vietnam," he stated.

#### POSSIBLE BREAKTHROUGH ON IPR?

-----

¶16. (U) The Ambassador also pointed to weak IPR enforcement and overdue regulations as one of the issues that would likely come up during Chairman Phuc's visit, in particular long-delayed criminal regulations on commercial scale trademark and copyright infringement (Refs C and D). However, in a separate meeting on December 5, National Office of Intellectual Property (NOIP) officials told Econoff and visiting Deskoff that the Prime Minister had directed the Ministry of Science and Technology (MOST) to broker an inter-ministerial solution, and that MOST has scheduled a December 7 meeting with relevant GVN agencies to discuss a way forward and issue criminal regulations (Septel).

#### CHEVRON'S CONTRACTUAL COMPLICATIONS

-----

¶17. (SBU) The Ambassador shared with Chairman Phuc concerns that the GVN may seek to prevent Chevron from exporting gas from its joint project with state-owned PetroVietnam in the Gulf of Thailand. He urged caution lest contract obligations are breached. "Before that happens, I urge you to have your lawyers look closely at the contract," Ambassador Michalak said. Phuc vowed that the GVN would not intervene on behalf of either party and thought that the contract should be respected.

#### COMMENT: PHUC IS PREPARED AND FOCUSED

-----

¶18. (SBU) In our preparatory meetings for TIFA and the two study tours, it appears that the participating GVN officials have done their homework. Our views on issues like GSP and the IMP may differ --and in the case of human rights differ drastically-- but we expect Phuc and his colleagues to be well prepared and willing to engage frankly on all the issues on the agenda. End comment.

MICHALAK

H:\Draft Cables and Memos\120507 Cable - Amb Meeting with OOG  
Phuc.doc